

UNITED STATES DEPARTMENT OF
COMMERCE
NEWS

WASHINGTON, D.C. 20230

E641-1
BUREAU OF
EXPORT
ADMINISTRATION

FOR IMMEDIATE RELEASE
Date: Sept. 30, 1999
www.bxa.doc.gov

CONTACT: Eugene Cottilli
Marlene MacDonald
202-482-2721

ILLINOIS FIRM FINED IN CONNECTION WITH SHIPMENT TO IRAN

WASHINGTON -- The U.S. Department of Commerce Department Bureau of Export Administration (BXA) today imposed a \$10,000 civil penalty on Illinois-based Varlen Corporation for a false statement made by its former wholly-owned subsidiary, Precision Scientific, Inc. on an export control document in connection with a shipment to Iran, Commerce Assistant Secretary for Export Administration F. Amanda DeBusk announced.

The Department alleged that Precision Scientific shipped a U.S.-origin incubator to Iran through an independent distributor in The Netherlands. Precision Scientific identified The Netherlands as the country of ultimate destination on the Shipper's Export Declaration, when in fact the intended destination was Iran. Varlen self-disclosed the violation and agreed to accept responsibility for the actions of Precision Scientific. BXA's Chicago Office of Export Enforcement investigated the case.

The U.S. government maintains a comprehensive economic sanctions program against the government of Iran and prohibits virtually all commercial transactions involving U.S.-origin goods or U.S. persons, or both, with the government of Iran.

The Department of Commerce, through its Bureau of Export Administration, administers and enforces export controls for reasons of national security, foreign policy, nonproliferation and short supply. Criminal penalties, as well as administrative sanctions, can be imposed for violations of the Regulations.

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF EXPORT ADMINISTRATION
WASHINGTON, D.C. 20230

In the Matter of:)
)
VARLEN CORPORATION)
55 Shuman Blvd.)
P.O. Box 3089)
Naperville, Illinois 60566-7089,)
)
Respondent)

ORDER

The Office of Export Enforcement, Bureau of Export Administration, United States Department of Commerce (BXA), having notified Varlen Corporation (Varlen) of its intention to initiate an administrative proceeding against Varlen pursuant to Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C.A. app. §§ 2401-2420 (1991 & Supp. 1999)) (the Act),¹ and the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (1999)) (the Regulations),² based on allegations that, on or about August 23, 1995, Precision Scientific, Inc. (PSI),³ a former wholly-owned subsidiary of Varlen, exported a

¹ The Act expired on August 20, 1994. Executive Order 12924 (3 C.F.R., 1994 Comp. 917 (1995)), extended by Presidential Notices of August 15, 1995 (3 C.F.R., 1995 Comp. 501 (1996)), August 14, 1996 (3 C.F.R., 1996 Comp. 298 (1997)), August 13, 1997 (3 C.F.R., 1997 Comp. 306 (1998)), and August 13, 1998 (3 C.F.R., 1998 Comp. 294 (1999)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C.A. §§ 1701-1706 (1991 & Supp. 1999)).

² The violation at issue occurred in 1995. The Regulations governing the violation at issue are found in the 1995 version of the Code of Federal Regulations (15 C.F.R. Parts 768-799 (1995) (hereinafter the former Regulations)). The former Regulations define the violation that BXA alleges occurred. The Regulations establish the procedures that apply to this matter.

³ PSI is no longer owned by Varlen but Varlen has agreed to accept responsibility for the violation alleged in the proposed charging letter.

U.S.-origin incubator to Iran through its independent distributor, Eurint BV, in The Netherlands. In connection with the export, PSI identified The Netherlands as the country of ultimate destination on the Shipper's Export Declaration, an export control document as defined in Section 770.2 of the former Regulations, when, in fact, the intended ultimate destination was Iran, in violation of Section 787.5(a) of the former Regulations; and

BXA and Varlen having entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein, and the terms of the Settlement Agreement having been approved by me;

IT IS THEREFORE ORDERED:

FIRST, that a civil penalty of \$10,000 is assessed against Varlen which shall be paid to the U. S. Department of Commerce within 30 days from the date of this Order. Payment shall be made in the manner specified in the attached instructions.

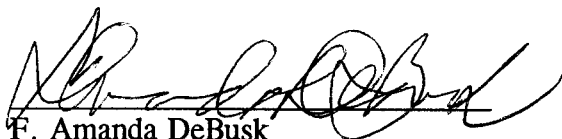
SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C.A. §§ 3701-3720E (1983 and Supp. 1999)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein, Varlen will be assessed, in addition to interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

THIRD, that, as authorized by Section 11(d) of the Act, the timely payment of the civil penalty set forth above is hereby made a condition to the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to Varlen. Accordingly, if Varlen should fail to pay in a timely manner the civil penalty set forth above,

the undersigned will enter an Order under the authority of Section 11(d) of the Act denying all of Varlen's export privileges for a period of one year from the date of this Order.

FOURTH, that the proposed Charging Letter, Settlement Agreement, and this Order shall be made available to the public.

This Order, which constitutes the final agency action in this matter, is effective immediately.



F. Amanda DeBusk
Assistant Secretary
for Export Enforcement

Entered this 20th day of September, 1999.

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF EXPORT ADMINISTRATION
WASHINGTON, D.C. 20230

In the Matter of:)
)
VARLEN CORPORATION)
55 Shuman Blvd.)
P.O. Box 3089)
Naperville, Illinois 60566-7089,)
)
Respondent)

SETTLEMENT AGREEMENT

This Agreement is made by and between Varlen Corporation (Varlen) and the Bureau of Export Administration, United States Department of Commerce, pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (1999)) (the Regulations),¹ issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C.A. app. §§ 2401-2420 (1991 & Supp. 1999)) (the Act).²

¹ The alleged violation occurred in 1995. The Regulations governing the violation at issue are found in the 1995 version of the Code of Federal Regulations (15 C.F.R. Parts 768-799 (1995)). Those Regulations define the violation that BXA alleges occurred and are referred to hereinafter as the former Regulations. Since that time, the Regulations have been reorganized and restructured. The restructured Regulations establish the procedures that apply to this matter.

² The Act expired on August 20, 1994. Executive Order 12924 (3 C.F.R., 1994 Comp. 917 (1995)), extended by Presidential Notices of August 15, 1995 (3 C.F.R., 1995 Comp. 501 (1996)), August 14, 1996 (3 C.F.R., 1996 Comp. 298 (1997)), August 13, 1997 (3 C.F.R., 1997 Comp. 306 (1998)) and August 13, 1998 (3 C.F.R., 1998 Comp. 294 (1999)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C.A. §§ 1701-1706 (1991 & Supp. 1999)).

Whereas, the Office of Export Enforcement, Bureau of Export Administration (BXA), has notified Varlen of its intention to initiate an administrative proceeding against Varlen pursuant to the Act and the Regulations, based on allegations that, on or about August 23, 1995, Precision Scientific, Inc.(PSI),³ exported a U.S.-origin incubator to Iran through its independent distributor, Eurint BV, in The Netherlands. In connection with the export, PSI identified The Netherlands as the country of ultimate destination on the Shipper's Export Declaration, an export control document as defined in Section 770.2 of the former Regulations, when, in fact, the intended ultimate destination was Iran. BXA alleges that, by making a false or misleading statement of material fact directly or indirectly to a U.S. Government agency in connection with the preparation, submission or use of an export control document, PSI committed one violation of Section 787.5(a) of the former Regulations;

Whereas, Varlen has reviewed the proposed Charging Letter and is aware of the allegations made against it and the administrative sanctions which could be imposed against it if the allegations are found to be true; it fully understands the terms of this Settlement Agreement and the Order; it enters into this Settlement Agreement voluntarily and with full knowledge of its rights, and it states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

Whereas, Varlen neither admits nor denies the allegations contained in the proposed Charging Letter;

³ PSI is a former wholly-owned subsidiary of Varlen. Although PSI is no longer owned by Varlen, Varlen has agreed to accept responsibility for the violation alleged in the proposed charging letter.

Whereas, Varlen wishes to settle and dispose of all matters alleged in the proposed Charging Letter by entering into this Settlement Agreement; and

Whereas, Varlen agrees to be bound by an appropriate Order giving effect to the terms of this Settlement Agreement, when entered (appropriate Order);

Now Therefore, Varlen and BXA agree as follows:

1. BXA has jurisdiction over Varlen, under the Act and the Regulations, in connection with the matters alleged in the proposed Charging Letter.
2. BXA and Varlen agree that the following sanction shall be imposed against Varlen in complete settlement of the alleged violation of the Act and the former Regulations set forth in the proposed Charging Letter:
 - (a) Varlen shall be assessed a civil penalty of \$10,000, which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of an appropriate Order;
 - (b) As authorized by Section 11(d) of the Act, the timely payment of the civil penalty agreed to in paragraph 2(a) is hereby made a condition to the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to Varlen. Failure to make timely payment of the civil penalty shall result in the denial of all of Varlen's export privileges for a period of one year from the date of entry of the appropriate Order imposing the civil penalty.
3. Varlen agrees that, subject to the approval of this Settlement Agreement pursuant to paragraph 8 hereof, it hereby waives all rights to further procedural steps in this

matter (except with respect to any alleged violation of this Settlement Agreement or the appropriate Order, when entered), including, without limitation, any right: (a) to an administrative hearing regarding the allegations in the proposed Charging Letter; (b) to request a refund of the civil penalty imposed pursuant to this Settlement Agreement and the appropriate Order, when entered; and (c) to seek judicial review or otherwise to contest the validity of this Settlement Agreement or the appropriate Order, when entered.

4. BXA agrees that, upon entry of an appropriate Order, it will not initiate any further administrative proceedings against Varlen in connection with any violations of the Act or the Regulations arising out of the transaction identified in the proposed Charging Letter.

5. Varlen understands that BXA will make the proposed Charging Letter, this Settlement Agreement and the appropriate Order, when entered, available to the public.

6. BXA and Varlen agree that this Settlement Agreement is for settlement purposes only. Therefore, if this Settlement Agreement is not accepted and an appropriate Order is not issued by the Assistant Secretary for Export Enforcement pursuant to Section 766.18(a) of the Regulations, BXA and Varlen agree that they may not use this Settlement Agreement in any administrative or judicial proceeding and that neither party shall be bound by the terms contained in this Settlement Agreement in any subsequent administrative or judicial proceeding.

7. No agreement, understanding, representation or interpretation not contained in this Settlement Agreement may be used to vary or otherwise affect the terms of this Settlement Agreement or the appropriate Order, when entered, nor shall this Settlement Agreement serve

to bind, constrain, or otherwise limit any action by any other agency or department of the United States Government with respect to the facts and circumstances addressed herein.

8. This Settlement Agreement shall become binding on BXA only when the Assistant Secretary for Export Enforcement approves it by entering an appropriate Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

BUREAU OF EXPORT ADMINISTRATION
U.S. DEPARTMENT OF COMMERCE

VARLEN CORPORATION

BY: Mark D. Menefee
Mark D. Menefee
Director
Office of Export Enforcement

BY: R. A. Jean
Raymond A. Jean
President and Chief Executive Officer

Date: 9/13/99

Date: 9/8/99



CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Varlen Corporation
55 Shuman Blvd.
P.O. Box 3089
Naperville, Illinois 60566-7089

Attention: Raymond A. Jean
President and Chief Executive Officer

Dear Mr. Jean:

The Office of Export Enforcement, Bureau of Export Administration, United States Department of Commerce (BXA), hereby charges that, as described in detail below, Precision Scientific, Inc. (PSI), a former wholly-owned subsidiary Varlen Corporation (Varlen),¹ has violated the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (1999) (the Regulations),² issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C.A. app. §§ 2401-2420 (1991 & Supp. 1999) (the Act)).³

¹ PSI is no longer owned by Varlen but Varlen has agreed to accept responsibility for the violation alleged in this proposed charging letter.

² The alleged violation occurred in 1995. The Regulations governing the violation at issue are found in the 1995 version of the Code of Federal Regulations (15 C.F.R. Parts 768-799 (1995)). Those Regulations define the violation that BXA alleges occurred and are referred to hereinafter as the former Regulations. Since that time, the Regulations have been reorganized and restructured. The restructured Regulations establish the procedures that apply to this matter.

³ The Act expired on August 20, 1994. Executive Order 12924 (3 C.F.R., 1994 Comp. 917 (1995)), extended by Presidential Notices of August 15, 1995 (3 C.F.R., 1995 Comp. 501 (1996)), August 14, 1996 (3 C.F.R., 1996 Comp. 298 (1997)), August 13, 1997 (3 C.F.R., 1997 Comp. 306 (1998)) and August 13, 1998 (3 C.F.R., 1998 Comp. 294 (1999)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C.A. §§ 1701-1706 (1991 & Supp. 1999)).



Facts constituting violation:

Charge 1

On or about August 23, 1995, PSI exported a U.S.-origin incubator to Iran through its independent distributor, Eurint BV, in The Netherlands. In connection with the export, PSI identified The Netherlands as the country of ultimate destination on the Shipper's Export Declaration, an export control document as defined in Section 770.2 of the former Regulations, when, in fact, the intended ultimate destination was Iran. BXA alleges that, by making a false or misleading statement of material fact directly or indirectly to a U.S. Government agency in connection with the preparation, submission or use of an export control document, PSI committed one violation of Section 787.5(a) of the former Regulations.

Accordingly, Varlen is hereby notified that an administrative proceeding is instituted against it pursuant to Section 13(c) of the Act and Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including any or all of the following:

The maximum civil penalty allowed by law of \$10,000 per violation (see Section 764.3(a)(1) of the Regulations);

Denial of export privileges (see Section 764.3(a)(2) of the Regulations); and/or

Exclusion from practice before BXA (see Section 764.3(a)(3) of the Regulations).

Copies of relevant Parts of the Regulations are enclosed.

If Varlen fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter as provided in Section 766.6 of the Regulations, that failure will be treated as a default under Section 766.7.

Varlen is further notified that it is entitled to an agency hearing on the record as provided by Section 13(c) of the Act and Section 766.6 of the Regulations, if a written demand for one is filed with its answer, to be represented by counsel, and to seek a consent settlement.

Pursuant to an Interagency Agreement between BXA and the U.S. Coast Guard, the U.S. Coast Guard is providing administrative law judge services, to the extent that such services are required under the Regulations, in connection with the matters set forth in this letter. Accordingly, Varlen's answer should be filed with the U.S. Coast Guard ALJ Docketing Center, 40 S. Gay Street, Baltimore, Maryland 21202-4022, in accordance with the instructions in Section 766.5(a) of the Regulations. In addition, a copy of Varlen's answer

should be served on BXA at the address set forth in Section 766.5(b), adding "ATTENTION: Mi-Yong Kim, Esq." below the address. Ms. Kim may be contacted by telephone at (202) 482-5311.

Sincerely,

Mark D. Menefee
Director
Office of Export Enforcement

Enclosure